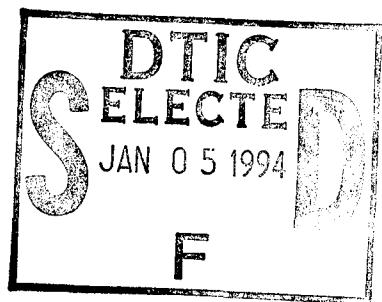


PROFESSIONAL MILITARY COMPTROLLER SCHOOL

IDEA PAPER



TITLE

LOSING TRACK OF OUR RESOURCES

AUTHOR

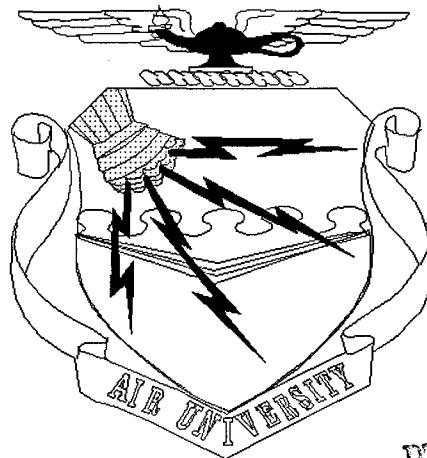
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COLLEGE FOR PROFESSIONAL DEVELOPMENT

AIR UNIVERSITY/UNITED STATES AIR FORCE/MAXWELL AFB, ALABAMA

PMCS IDEA PAPER

TITLE: LOSING TRACK OF OUR RESOURCES

PMCS CLASS: 95-A

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EXECUTIVE SUMMARY

The cancellation of the merged "M" accounts has caused many problems in the execution of current year funding. By having to source current-year funds for upward adjustments to canceled-year accounts, we are making scarce resources even more scarce. We are then taking the funds sourced from individual appropriated accounts and are reprogramming them into a generic upward adjustment account for the respective appropriation. By doing this, we are losing all automated tracking to the appropriated accounts or programs incurring the upward adjustments. This paper focuses on the fact that we are heading away from where our command wants to be: focused on weapon system management. Our financial tracking systems are unable to effectively present a true picture of the specific upward adjustments made. Funds that should be tied to a particular program are hidden within the total adjustments for an appropriation. Only through manual records will we be able to recapture detailed information.

A simple change in our coding will significantly increase our ability to track details for specific accounts and programs. This paper presents two options that would require minimal effort to implement, yet provide the additional information needed on upward adjustments for input into our financial tracking systems. Both options involve leaving or putting sourced funds in the account incurring the adjustment rather than reprogramming sourced funds to a central account. I believe this to be the only direction to take if we are to continue with weapon system management and accountability.

This study represents the views of the author and does not necessarily reflect the official opinion of the College for Professional Development, Air University, or the Department of the Air Force.

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INTRODUCTION

Our "slush" funds are gone and now we are on our own. With the demise of the "M" (merged) accounts, the Air Force is now required to pay for cancelled year contract upward adjustments with currently available funds. These upward adjustments are must pay bills for an amount known only after an actual bill is received. These adjustments cannot be incorporated into the planning, programming, or budgeting process as requirements are of unknown amounts that may never materialize. Therefore, funds needed to satisfy these bills must come out of hide using any available (uncommitted and unobligated) funds within the applicable appropriation (e.g., 3010). The actual funds sourced to pay for an adjustment do not have to come out of the same budget program cited on the original contract. This change in procedure has impacted the tracking and accountability of appropriated funds needed to satisfy newly identified funding requirements for contracts that should have been closed out a long time ago.

In this paper I will present a brief description of the previous use of the "M" account as well as current prior year procedures. I will then provide discussions on the HQ AFMC view on weapon system management, field flexibility and reporting, and higher headquarters accountability and responsibility. Finally, I will present two very similar solutions and a recommendation for increasing the ability to track the details of upward adjustment costs. For simplicity, I will present discussion as related to the 3010 aircraft procurement appropriation only.

DISCUSSION

Prior to October 1, 1993, DOD activities transferred any unliquidated obligations for appropriated accounts expired more than two years into "M" accounts. Any expired funds previously withdrawn for a specific program year (PY) by the Treasury, as well as funds made available during the current FY as a result of downward adjustments to the specific PY, were still available to satisfy valid upward adjustments (3:83). As of September 30, 1993, the remaining "M" accounts were cancelled (1:16).

Now, any expired, unobligated funds previously removed by the Treasury for a specific PY, as well as downward adjustments for the PY, remain in an expired status for up to five years after availability. Expired year funds still available in an appropriation can be used for upward adjustments and payments throughout the five years. After that, the appropriation enters cancelled status and any upward adjustments or payments must come out of currently available funds that have not yet expired. Legitimate upward adjustments to expired or cancelled accounts cannot include any new obligations resulting from a change in scope to the original contract (2:26). The current year funds sourced to pay for canceled year upward adjustments to 3010 appropriation accounts are removed from the source budget program (e.g., BP16) and reprogrammed into an appropriation specific budget program activity code (BPAC) account of 19UPAD. Only one percent of a current appropriation may be used to satisfy cancelled year upward adjustments. Air Staff directed the one percent limitation to keep from causing too much damage to the

execution of current programs as a result of paying prior year bills.

On July 1, 1992, Air Force Logistics Command and Air Force Systems Command merged to form Air Force Materiel Command (AFMC). A single command now manages a system from concept to eventual cancellation or retirement. This "cradle-to-grave" concept, known as Integrated Weapon System Management (IWSM), is at the heart of the command's management philosophy (4:14). Refining the way we track canceled year upward adjustments appears to go against this philosophy. By reprogramming all adjustments into a single generic BPAC for an entire appropriation, we have lost track of our main goal of weapon system accountability and responsibility.

AFMC reporting activities currently have the flexibility to satisfy canceled year upward adjustments under \$100K per occurrence without prior approval from higher headquarters. For adjustments over \$100K per occurrence, activities must forward requests for approval of adjustments and the sources identified to HQ AFMC/FM. HQ AFMC/FM will review the request and forward to SAF/FMB as warranted. Field activities report all adjustments to HQ AFMC on a monthly basis. Except for backup paper files, the entire description of the adjustment is not detailed enough to provide a clear picture of the transaction in our execution tracking systems.

Problems have resulted from the length of the MAJCOM and Air Staff approval process. Some of the funds previously identified for larger adjustments (greater than \$100K) were used elsewhere while awaiting approval. Another problem occurred due to the

erroneous identification of upward adjustments for replenishment spares that transferred to the stock fund. Funds were still being sourced from appropriated accounts instead of correctly sourcing funds from available Reparable Support Division (RSD) obligation authority. More rigorous HQ AFMC review of reported adjustments corrected most of these problems. As the HQ AFMC BP16 budget analyst, I have worked diligently with my field counterparts to try to avoid or correct erroneous prior year actions before problems occur. Most proactive and timely reactive measures have proven successful so far. I believe that in working as a team with our reporting activities, it is apparent that we can minimize problems and rework in this area. Many times, Air Staff relies on AFMC Financial Management personnel for additional information and checks and balances. Since they are one of our customers, we must provide them with as much assistance as possible to make this problem workable within current guidelines, or make suggestions to make this process run smoother.

There are two solutions that will make this upward adjustment process more traceable. Both involve simple changes to the codes we use or the way in which we use the codes. As mentioned earlier, all 3010 upward adjustments are put into a single BPAC account known as 19UPAD and tracked back to that single account. I believe that the adjustments to a specific budget program and weapon system should remain in the budget program impacted. For example, let's look at an upward adjustment occurring during FY95 for a PY87 BP16 F-16 contract. The adjustment is for \$97K; therefore, the field activity has flexibility to fix the adjust-

ment internally if funds in any 3010 budget appropriation account are still available for reprogramming. PY93 BP16 F-16 funds are available for reprogramming and the command has not yet reached the one percent limitation for PY93. Therefore, SAF/FM will eventually reprogram BP16 F-16 (BPAC 16F16Z) funds to 19UPAD so that the executing activity can pay the canceled year bill using a 19UPAD funds citation. In reality, the activity will pay a bill as soon as possible after approval and often prior to the actual reprogramming of funds. The same process would have occurred if the adjustment amount would have been over \$100K. The only difference would have been the approval level and the possibility of having to cite a different source that may or may not require reprogramming of additional funds to the activity. This is all well and good; however, the reporting of 19UPAD means nothing to me. Air Staff, OSD, and Congress see the extent of the overall problem, but without additional manual research, no one can easily see the main contributors to the problem.

By leaving the funds in the original appropriation account, BP16 in this case, we can continue to more easily track the obligations and expenditures related to a specific account or weapon system. The following two examples reflect coding recommended for use instead of any codes related to 19UPAD. The codes presented are in BPAC, materiel program code (MPC), and control serial number (CSN) sequence for each example. They are as follows: (1) 16F16Z 1000 87F16Z or (2) 16UPAD 1000 87F16Z. The BPAC and MPC fields used in our tracking systems and validation tables have specific edits for control purposes. The CSN is a

locally (AFMC or field) assigned code that can be any six digit alpha-numeric. Example one reflects what would normally occur in developing a fund citation for executing a contract. However, it does not reflect that the funds are specifically for an upward adjustment. HQ AFMC would need to disseminate additional guidance on the use of the CSN field. Guidance may take the form of requiring that the first two digits of the CSN be alphabetic characters for any current executing requirement. The first two digits for an upward adjustment would be numeric, specifically the original PY year that is experiencing the adjustment. The last four digits of the CSN would be the original system management code (SMC), which is the last four positions of the BPAC. The original SMC is identified as some weapon systems have multiple, applicable SMCs or the original SMC may no longer be valid so it is simply a tracking tool. Example two is essentially the same as example one save for the current BPAC. The 16UPAD code is more consistent with the methodology developed by Air Staff to track upward adjustments. It is easier to provide reports at a higher level (by BPAC) for a specific appropriation account than at lower levels (by CSN). However, we could request specific reports to provide adjustment information to the levels set up by the codes described in the examples above. Reports for the 19UPAD account, even with CSN level data, could not provide the same level of detail.

CONCLUSION

I decided to present what I perceive as an important problem being encountered as a result of the cancellation of the "M" account. It is very significant in that the Air Force currently has a shrinking budget for planned requirements. These requirements are unplanned, unprogrammed, and not budgeted for; yet are competing for scarce Air Force resources. In a change to the procedure for funding for prior year upward adjustments, we have lost some control of that process. Under IWSM, the system program director is the single entity accountable and responsible for fielding and supporting their system. With the newly created and "faceless" upward adjustment (i.e., 19UPAD) accounts, we are not effectively tracking resources back to a program. This is hiding the true cost of a program, and for programs with an established cap, we are circumventing a system developed to help control costs. We must regain control of tracking these resources as they can be of significant amounts.

RECOMMENDATION

I believe HQ AFMC/FM should forward a recommendation to SAF/FMB requesting a change to the current upward adjustment process. The HQ AFMC proposal would be that current year funds sourced to pay canceled year adjustments remain in or be reprogrammed to the appropriate account requiring the adjustment. The codes recommended for use would be those as presented in example one of the discussion. No new BPACs would be established using this methodology. SAF/FMB will have to request waiver authority to reprogram, if necessary, amounts greater than those currently

governed by regulation or public law. A similar authority would have been requested when the current upward adjustment accounts were established as some of those accounts have already received reprogrammings in excess of the \$10M appropriation limit. If the method above is approved, HQ AFMC/FM would provide new guidance on the use of BPAC, MPC, and CSN codes used when cited to satisfy upward adjustments. Backup documentation (i.e., procurement authority documentation) would also reflect the same coding methodology so that reporting and tracking would be consistent.

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